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Message Text

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PAGE 01 LONDON 20328 161402Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
/100 W
---------- 028026 /41
R 161354Z DEC 76
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8827
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION EC BRUSSELS
USMISSION GENEVA
USDEL MTN GENEVA
AMEMBASSY OTTAWA

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E.O.11652: N/A
TAGS: ETRD, GATT, EFIN, UK, EEC
SUBJECT: UK EXPORT INFLATION INSURANCE SCHEME

REF: USEC BRUSSELS 12147

1. CHANCELLOR HEALEY ANNOUNCED DEC. 15 AS PART OF HIS MINI-BUDGET PACKAGE THAT UK'S EXPORT INFLATION INSURANCE SCHEME WOULD BE EXTENDED FOR ANOTHER YEAR, THROUGH MARCH, 1978. EMBASSY RECOMMENDS A LOW-LEVEL RESTATEMENT OF LIMITED OFFICIAL USE

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PAGE 02 LONDON 20328 161402Z

CONCERN AND HOPE FOR EARLY TERMINATION OF THE PROGRAM.

2. THERE ARE OPPOSING PRESSURES FROM HM TREASURY AND THE CONFEDERATION OF BRITISH INDUSTRIES (CBI) ABOUT THE CONTINUATION OF THIS PROGRAM. HM TREASURY WOULD LIKE TO DROP THE SCHEME UNDER WHICH ONLY TWO CONTRACTS WORTH

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62 MILLION POUNDS HAVE BEEN CONCLUDED SINCE THE INSURANCE BECAME AVAILABLE IN FEBRUARY, 1975. CBI HAS PUSHED STRONGLY FOR THE PROGRAM'S CONTINUATION AND ITS PRO-LONGATION CAN BE SEEN AS A BONE THROWN TO CBI -- WHICH IS GRATEFUL FOR BONES, REGARDLESS OF SIZE.

3. WE BELIEVE SCHEME WILL BE EXTENDED WITHOUT CHANGE. WE HAVE NO INFORMATION TO SUGGEST IT WILL BE "IMPROVED" AS NOTED BY USEC'S SOURCE IN REFTEL.

4. CANADIAN HIGH COMMISSION HERE IS WITHOUT INSTRUC-TIONS AS OF DEC. 16.

5. IN EMBASSY'S VIEW, IT IS HIGHLY UNLIKELY THAT UK GOVERNMENT WOULD SERIOUSLY CONSIDER ANY WITHDRAWAL FROM THE POSITION TAKEN BY THE CHANCELLOR IN THE HOUSE OF COMMONS. HOWEVER, U.S. FAILURE TO NOTE ITS CONCERN AT THIS TIME COULD BE MISINTERPRETED AS A SOFTENING OF OUR OPPOSITION TO ARRANGEMENTS OF THIS TYPE. THEREFORE, EMBASSY RECOMMENDS A DEMARCHE AT OFFICE DIRECTOR LEVEL TO OFFICIALLY EXPRESS U.S. CONCERN AT THE EXTEN-SION OF THIS PROGRAM FOR A FURTHER YEAR AND TO RESTATE OUR CONTINUING HOPE FOR AN EARLY TERMINATION OF THE ARRANGEMENT.

6. ALMOST CERTAINLY, PART OF BRITISH REJOINDER WILL BE (A) THAT UK SCHEME IS REQUIRED TO REMAIN COMPETITIVE WITH THE FRENCH AND (B) IS THE U.S. MAKING SIMILAR COM-PLAINT IN PARIS. FOR THIS REASON, WE ALSO SUGGEST A PARALLEL LOW-LEVEL RESTATEMENT OF U.S. POSITION TO THE LIMITED OFFICIAL USE

FRENCH.

SPIERS

NNN

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